



General Assembly

Substitute Bill No. 450

January Session, 2009

* SB00450AGEHS_021909 *

AN ACT CONCERNING NURSING HOME OVERSIGHT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 17b-352 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) For the purposes of this section and section 17b-353, "facility"
4 means a residential facility for the mentally retarded licensed pursuant
5 to section 17a-277 and certified to participate in the Title XIX Medicaid
6 program as an intermediate care facility for the mentally retarded, a
7 nursing home, rest home or residential care home, as defined in section
8 19a-490.

9 (b) Any facility [which] that intends to (1) transfer all or part of its
10 ownership or control; [prior to being initially licensed;] (2) introduce
11 any additional function or service into its program of care or expand
12 an existing function or service; or (3) terminate a service or decrease
13 substantially its total bed capacity, shall submit a complete request for
14 permission to implement such transfer, addition, expansion, increase,
15 termination or decrease with such information as the department
16 requires to the Department of Social Services, provided no permission
17 or request for permission to close a facility or transfer ownership of
18 such facility is required when a facility in receivership is closed by
19 order of the Superior Court pursuant to section 19a-545. The Office of

20 the Long-Term Care Ombudsman pursuant to section 17b-400 shall be
21 notified by the facility of any proposed actions pursuant to this
22 subsection at the same time the request for permission is submitted to
23 the department and when a facility in receivership is closed by order of
24 the Superior Court pursuant to section 19a-545.

25 (c) An applicant, prior to submitting a certificate of need
26 application, shall request, in writing, application forms and
27 instructions from the department. The request shall include [:(1) The]
28 the name of the applicant or applicants [;(2)] and a statement
29 indicating whether the application is for [(A)] (1) a transfer of
30 ownership or control, (2) a new, additional, expanded or replacement
31 facility, service or function, [(B)] (3) a termination or reduction in a
32 presently authorized service or bed capacity, or [(C)] (4) any new,
33 additional or terminated beds and their type. [;(3)] Applications, other
34 than those seeking transfer of ownership or control, shall include (A)
35 the estimated capital cost, [;(4)] (B) the town where the project is or
36 will be located, [;] and [(5)] (C) a brief description of the proposed
37 project. Such request shall be deemed a letter of intent. No certificate of
38 need application shall be considered submitted to the department
39 unless a current letter of intent, specific to the proposal and in
40 accordance with the provisions of this subsection, has been on file with
41 the department for not less than ten business days. For purposes of this
42 subsection, "a current letter of intent" means a letter of intent on file
43 with the department for not more than one hundred eighty days. A
44 certificate of need application shall be deemed withdrawn by the
45 department, if a department completeness letter is not responded to
46 within one hundred eighty days. The Office of the Long-Term Care
47 Ombudsman shall be notified by the facility at the same time as the
48 letter of intent is submitted to the department.

49 (d) Any facility acting pursuant to subdivision (3) of subsection (b)
50 of this section shall provide written notice, at the same time it submits
51 its letter of intent, to all patients, guardians or conservators, if any, or
52 legally liable relatives or other responsible parties, if known, and shall

53 post such notice in a conspicuous location at the facility. The notice
54 shall state the following: [(A)] (1) The projected date the facility will be
55 submitting its certificate of need application, [(B)] (2) that only the
56 department has the authority to either grant, modify or deny the
57 application, [(C)] (3) that the department has up to ninety days to
58 grant, modify or deny the certificate of need application, [(D)] (4) a
59 brief description of the reason or reasons for submitting a request for
60 permission, [(E)] (5) that no patient shall be involuntarily transferred
61 or discharged within or from a facility pursuant to state and federal
62 law because of the filing of the certificate of need application, [(F)] (6)
63 that all patients have a right to appeal any proposed transfer or
64 discharge, and [(G)] (7) the name, mailing address and telephone
65 number of the Office of the Long-Term Care Ombudsman and local
66 legal aid office.

67 (e) The department shall review a request made pursuant to
68 subsection (b) of this section to the extent it deems necessary,
69 including, but not limited to, in the case of a proposed transfer of
70 ownership or control, [prior to initial licensure,] the financial viability
71 of the applicant, the impact on the facility rate, any real property lease
72 or debt instrument, any nursing facility management services
73 agreement and the financial condition of the applicant, the financial
74 responsibility and business interests of the transferee and the ability of
75 the facility to continue to provide needed services, or in the case of the
76 addition or expansion of a function or service, ascertaining the
77 availability of the function or service at other facilities within the area
78 to be served, the need for the service or function within the area and
79 any other factors the department deems relevant to a determination of
80 whether the facility is justified in adding or expanding the function or
81 service. The commissioner shall grant, modify or deny the request
82 within ninety days of receipt thereof, except as otherwise provided in
83 this section. Upon the request of the applicant, the review period may
84 be extended for an additional fifteen days if the department has
85 requested additional information subsequent to the commencement of
86 the commissioner's review period. The director of the office of

87 certificate of need and rate setting may extend the review period for a
88 maximum of thirty days if the applicant has not filed in a timely
89 manner information deemed necessary by the department. The
90 applicant may request and shall receive a hearing in accordance with
91 section 4-177 if aggrieved by a decision of the commissioner.

92 (f) The Commissioner of Social Services shall not approve any
93 requests for beds in residential facilities for the mentally retarded
94 which are licensed pursuant to section 17a-227 and are certified to
95 participate in the Title XIX Medicaid Program as intermediate care
96 facilities for the mentally retarded, except those beds necessary to
97 implement the residential placement goals of the Department of
98 Developmental Services which are within available appropriations.

99 (g) The Commissioner of Social Services shall adopt regulations, in
100 accordance with chapter 54, to implement the provisions of this
101 section. The commissioner shall implement the standards and
102 procedures of the Office of Health Care Access concerning certificates
103 of need established pursuant to section 19a-643, as appropriate for the
104 purposes of this section, until the time final regulations are adopted in
105 accordance with [said] chapter 54.

106 Sec. 2. Section 17b-339 of the general statutes is repealed and the
107 following is substituted in lieu thereof (*Effective from passage*):

108 (a) There is established a Nursing Home Financial Advisory
109 Committee to examine the financial solvency of nursing homes on an
110 ongoing basis and to support the Departments of Social Services and
111 Public Health in their mission to provide oversight to the nursing
112 home industry [which promotes] on issues concerning the financial
113 solvency of and quality of care provided by nursing homes. The
114 committee shall consist of [seven members: The] the Commissioner of
115 Social Services, or his designee; the Commissioner of Public Health, or
116 his designee; the Secretary of the Office of Policy and Management, or
117 his designee; [the director of the Office of Fiscal Analysis, or his
118 designee;] the Comptroller or his designee; and the executive director

119 of the Connecticut Health and Education Facilities Authority, or his
120 designee. [; and one representative of nonprofit nursing homes and
121 one representative of for-profit nursing homes appointed by the
122 Governor.]

123 [(b)] The Commissioner of Social Services and the Commissioner of
124 Public Health shall be the chairpersons of the committee. [Any vacancy
125 shall be filled by the appointing authority.]

126 [(c)] (b) The committee, upon receipt of a report relative to the
127 financial solvency of and quality of care provided by nursing homes in
128 the state, shall recommend appropriate action [for improving the
129 financial condition of any nursing home that is in financial distress] to
130 the Commissioner of Social Services and the Commissioner of Public
131 Health. The Commissioner of Social Services shall notify the committee
132 of any nursing home request for an interim rate increase pursuant to
133 section 17b-340.

134 [(d)] (c) Not later than January 1, [1999] 2010, and annually
135 thereafter, the committee shall submit a report on its activities to the
136 joint standing committees of the General Assembly having cognizance
137 of matters relating to appropriations, human services and public health
138 and to the select committee of the General Assembly having
139 cognizance of matters relating to aging, in accordance with the
140 provisions of section 11-4a.

141 (d) Not later than October 1, 2009, and quarterly thereafter, the
142 committee shall meet with the chairpersons and ranking members of
143 the joint standing committees of the General Assembly having
144 cognizance of matters relating to human services, appropriations and
145 public health, and the Long-Term Care Ombudsman to discuss
146 activities of the committee relating to the financial solvency and
147 quality of care provided by nursing homes.

148 Sec. 3. (NEW) (*Effective from passage*) (a) For the fiscal year ending
149 June 30, 2009, and each fiscal year thereafter, each chronic and

150 convalescent nursing home and rest home with nursing supervision
151 shall obtain an annual financial audit of its operations conducted by an
152 independent auditor, and shall provide a copy of the audit report to
153 the Commissioner of Social Services. The commissioner may also
154 require each owner of a chronic and convalescent nursing home or rest
155 home with nursing supervision to submit to the Department of Social
156 Services quarterly reports of accounts payable in a format prescribed
157 by the commissioner. If such reports indicate a facility may be
158 experiencing financial distress, the commissioner shall require such
159 facility to submit specific financial information, including, but not
160 limited to, debt agreements and interim financial statements.

161 (b) The commissioner may require a nursing facility management
162 services certificate holder, as defined in section 19a-561 of the general
163 statutes, as amended by this act, or any person or entity that has a
164 beneficial ownership interest of ten per cent or more in such holder or
165 in a chronic and convalescent nursing home or rest home with nursing
166 supervision, to report information concerning the financial condition
167 of any facility owned, in this state or another state, by such person or
168 entity, in a format prescribed by the commissioner. For purposes of
169 this subsection, beneficial ownership includes ownership through any
170 level or relationship of parent and subsidiary corporations and
171 partnerships.

172 (c) If the Commissioner of Social Services determines, based on a
173 review of the information provided pursuant to subsection (a) or (b) of
174 this section or review of a chronic and convalescent nursing home's or
175 rest home with nursing supervision's annual cost report submitted to
176 the Department of Social Services pursuant to section 17b-340 of the
177 general statutes that a chronic and convalescent nursing home or rest
178 home with nursing supervision has undergone an adverse change in
179 financial condition, the commissioner shall notify the Commissioner of
180 Public Health and may require the nursing home facility to report
181 monthly its cash availability and the status of vendor payments and
182 employee payrolls. The Commissioner of Social Services may require

183 the reporting of other financial information to assist in measuring the
184 financial condition of the nursing home facility.

185 (d) The criteria to be used by the Commissioner of Social Services
186 pursuant to subsection (c) of this section to determine whether a
187 chronic and convalescent nursing home or rest home with nursing
188 supervision has undergone an adverse change in financial condition
189 shall include, but not be limited to, (1) the frequency of Medicaid
190 advances granted in accordance with section 119 of public act 07-1 of
191 the June special session; (2) unfavorable working capital ratios of assets
192 to liabilities; (3) a high proportion of accounts receivable more than
193 ninety days old; (4) a high proportion of accounts payable more than
194 ninety days old; (5) significant increases in accounts payable, unpaid
195 state or municipal taxes, state user fees or payroll-related costs; (6)
196 minimal equity or reserves or decreasing equity or reserves; (7) high
197 levels of debt and high borrowing costs; (8) significant increases in the
198 level of debts and borrowing costs; and (9) significant operating losses
199 for two or more consecutive years.

200 (e) If the Commissioner of Social Services determines that a chronic
201 and convalescent nursing home or rest home with nursing supervision
202 is in financial distress that may lead to the facility having insufficient
203 resources to meet its operating costs, the commissioner shall issue a
204 report of such findings to the Nursing Home Financial Advisory
205 Committee, established pursuant to section 17b-339 of the general
206 statutes, as amended by this act, in a format prescribed by the
207 committee.

208 Sec. 4. (NEW) (*Effective from passage*) No nursing facility
209 management services certificate holder pursuant to section 19a-561 of
210 the general statutes, as amended by this act, who is a related party to
211 the owner of a chronic and convalescent nursing home or rest home
212 with nursing supervision, shall be paid fees, including expenses from
213 such facility for which it provides such services, in excess of the
214 management fee permitted by the Department of Social Services in
215 setting the rate for such facility pursuant to section 17b-340 of the

216 general statutes, unless the Commissioner of Social Services, after a
217 financial review of such holder, approves a management fee in excess
218 of such rate. For any violation of this section, the Commissioner of
219 Social Services may assess a civil penalty not to exceed the amount by
220 which the fee paid for such services exceeds the approved
221 management fee plus fifteen thousand dollars. A holder may appeal
222 such assessment in accordance with the procedure established in
223 subsection (b) of section 17b-238 of the general statutes. The provisions
224 of this section shall not apply to any management fee in effect on or
225 before April 1, 2009. As used in this section, "related party" means
226 persons or organizations related through an ability to control
227 ownership, family relationship or business association, and includes
228 persons related through marriage.

229 Sec. 5. Section 17b-4 of the general statutes is repealed and the
230 following is substituted in lieu thereof (*Effective from passage*):

231 (a) The Department of Social Services shall plan, develop,
232 administer, operate, evaluate and provide funding for services for
233 individuals and families who are served by the department [who] and
234 are in need of personal or economic development. In cooperation with
235 other social service agencies and organizations, including community-
236 based agencies, the department shall work to develop and fund
237 prevention, intervention and treatment services for such individuals
238 and families. The department shall: (1) Provide appropriate services to
239 individuals and families as needed through direct social work services
240 rendered by the department and contracted services from community-
241 based organizations funded by the department; (2) collect, interpret
242 and publish statistics relating to individuals and families serviced by
243 the department; (3) monitor, evaluate and review any program or
244 service which is developed, operated or funded by the department; (4)
245 supervise the establishment of pilot programs funded by the
246 department in local communities which assist and support individuals
247 and families in personal and economic development; (5) improve the
248 quality of services provided, operated and funded by the department

249 and increase the competency of its staff relative to the provision of
250 effective social services by establishing and supporting ongoing staff
251 development and training; and (6) encourage citizen participation in
252 the development of social service priorities and programs.

253 (b) The Department of Social Services shall study continuously the
254 conditions and needs of elderly and aging persons in this state in
255 relation to nutrition, transportation, home-care, housing, income,
256 employment, health, recreation and other matters. It shall be
257 responsible in cooperation with federal, state, local and area planning
258 agencies on aging for the overall planning, development and
259 administration of a comprehensive and integrated social service
260 delivery system for elderly persons and the aged. The department
261 shall: (1) Measure the need for services; (2) survey methods of
262 administration of programs for service delivery; (3) provide for
263 periodic evaluations of social services; (4) maintain technical,
264 information, consultation and referral services in cooperation with
265 other state agencies to local and area public and private agencies to the
266 fullest extent possible; (5) develop and coordinate educational
267 outreach programs for the purposes of informing the public and
268 elderly persons of available programs; (6) cooperate in the
269 development of performance standards for licensing of residential and
270 medical facilities with appropriate state agencies; (7) supervise the
271 establishment, in selected areas and local communities of the state, of
272 pilot programs for elderly persons; (8) coordinate with the Department
273 of Transportation to provide adequate transportation services related
274 to the needs of elderly persons; and (9) cooperate with other state
275 agencies to provide adequate and alternate housing for elderly
276 persons, including congregate housing, as defined in section 8-119e.

277 [(c) The Department of Social Services, in conjunction with the
278 Department of Public Health, may adopt regulations in accordance
279 with the provisions of chapter 54 to establish requirements with
280 respect to the submission of reports concerning financial solvency and
281 quality of care by nursing homes for the purpose of determining the

282 financial viability of such homes, identifying homes that appear to be
283 experiencing financial distress and examining the underlying reasons
284 for such distress. Such reports shall be submitted to the Nursing Home
285 Financial Advisory Committee established under section 17b-339.]

286 Sec. 6. (NEW) (*Effective from passage*) (a) The Commissioner of Social
287 Services, in consultation with the Banking Commissioner and the
288 executive director of the Connecticut Health and Educational Facilities
289 Authority, shall establish reasonable rates of indebtedness and
290 reasonable real property lease payments for chronic and convalescent
291 nursing homes and rest homes with nursing supervision. No chronic
292 and convalescent nursing home or rest home with nursing supervision
293 licensed in this state, or any owner of the property on which such
294 facility is located who is a related party to the owner of any such
295 facility, shall increase its indebtedness beyond the amount established
296 pursuant to this section or increase its real property lease payments
297 unless approved by the Commissioner of Social Services. As used in
298 this subsection, "related party" means persons or organizations related
299 through an ability to control, ownership, family relationship or
300 business association, and includes persons related through marriage.

301 (b) The proceeds of any loan in which a chronic and convalescent
302 nursing home or rest home with nursing supervision has pledged,
303 granted a lien or otherwise encumbered the assets of such facility shall
304 be used solely for the purpose of operating such nursing home facility
305 or providing improvements to the nursing home facility unless
306 approved by the Commissioner of Social Services. The provisions of
307 this section shall not apply to any indebtedness or lease entered into by
308 a chronic and convalescent nursing home or rest home with nursing
309 supervision on or before April 1, 2009.

310 (c) A chronic and convalescent nursing home or rest home with
311 nursing supervision may submit a request pursuant to this subsection
312 for an increase in indebtedness or lease payments or use of the
313 proceeds of a loan in a manner prescribed by the commissioner. The
314 commissioner may request information as necessary to evaluate the

315 request and shall approve, deny or modify the request not later than
316 sixty days after submission of any such requested information. The
317 commissioner shall approve or modify a request only if the
318 commissioner determines that such request will not materially
319 adversely affect the financial viability of the facility or the quality of
320 patient care.

321 (d) Any violation of subsection (a) or (b) of this section shall
322 constitute a substantial failure to comply with the requirements
323 established under chapter 368v of the general statutes for purposes of
324 disciplinary action pursuant to section 19a-494 of the general statutes.
325 In addition to any action by the Commissioner of Public Health under
326 said section, the Commissioner of Social Services may impose a civil
327 penalty not exceeding twenty-five thousand dollars for each violation
328 and may refer the finding of the Department of Social Services to the
329 Commissioner of Public Health for appropriate action. Any person
330 subject to such civil penalty may appeal such penalty in accordance
331 with the procedure established in subsection (b) of section 17b-238 of
332 the general statutes.

333 Sec. 7. (NEW) (*Effective from passage*) Each chronic and convalescent
334 nursing home and rest home with nursing supervision shall submit
335 annually to the Department of Social Services, along with such
336 facility's annual cost report, proof of its insurance liability coverage for
337 negligence or medical malpractice and damages to property, and the
338 amounts of such coverage on a form prescribed by the Commissioner
339 of Social Services. On or before January 1, 2010, and annually
340 thereafter, the department shall report information concerning
341 insurance liability coverage of such facilities to the joint standing
342 committee of the General Assembly having cognizance of matters
343 relating to human services and the Nursing Home Financial Advisory
344 Committee.

345 Sec. 8. Subsection (b) of section 19a-491 of the general statutes is
346 repealed and the following is substituted in lieu thereof (*Effective*
347 *October 1, 2009*):

348 (b) If any person acting individually or jointly with any other person
349 [shall own] owns real property or any improvements thereon, upon or
350 within which an institution, as defined in subsection (c) of section 19a-
351 490, is established, conducted, operated or maintained and is not the
352 licensee of the institution, such person shall submit a copy of the lease
353 agreement to the department at the time of any change of ownership
354 and with each license renewal application. The lease agreement shall,
355 at a minimum, identify the person or entity responsible for the
356 maintenance and repair of all buildings and structures within which
357 such an institution is established, conducted or operated. If a violation
358 is found as a result of an inspection or investigation, the commissioner
359 may require the owner to sign a consent order providing assurances
360 that repairs or improvements necessary for compliance with the
361 provisions of the Public Health Code shall be completed within a
362 specified period of time or may, in accordance with the provisions of
363 section 19a-494, assess a civil penalty of not more than one thousand
364 dollars for each day that such owner is in violation of the Public Health
365 Code or, if appropriate, in violation of the consent order. A consent
366 order may include a provision for the establishment of a temporary
367 manager of such real property or improvements who has the authority
368 to complete any repairs or improvements required by such order.
369 Upon request of the Commissioner of Public Health, the Attorney
370 General may petition the Superior Court for such equitable and
371 injunctive relief as such court deems appropriate to ensure compliance
372 with the provisions of the consent order. The provisions of this
373 subsection shall not apply to any property or improvements owned by
374 a person licensed in accordance with the provisions of subsection (a) of
375 this section to establish, conduct, operate or maintain an institution on
376 or within such property or improvements.

377 Sec. 9. Subdivision (2) of subsection (b) of section 19a-493 of the
378 general statutes is repealed and the following is substituted in lieu
379 thereof (*Effective October 1, 2009*):

380 (2) Any change in the ownership of a facility or institution, as

381 defined in subsection (c) of section 19a-490, owned by an individual,
382 partnership or association or the change in ownership or beneficial
383 ownership of ten per cent or more of the stock of a corporation which
384 owns, conducts, operates or maintains such facility or institution, shall
385 be subject to prior approval of the department after a scheduled
386 inspection of such facility or institution is conducted by the
387 department, provided such approval shall be conditioned upon a
388 showing by such facility or institution to the commissioner that it has
389 complied with all requirements of this chapter, the regulations relating
390 to licensure and all applicable requirements of the Public Health Code.
391 Any such change in ownership or beneficial ownership resulting in a
392 transfer to a person related by blood or marriage to such an owner or
393 beneficial owner shall not be subject to prior approval of the
394 department unless: (A) Ownership or beneficial ownership of ten per
395 cent or more of the stock of a corporation, partnership or association
396 which owns, conducts, operates or maintains more than one facility or
397 institution is transferred; (B) ownership or beneficial ownership is
398 transferred in more than one facility or institution; or (C) the facility or
399 institution is the subject of a pending complaint, investigation or
400 licensure action. If the facility or institution is not in compliance, the
401 commissioner may require the new owner to sign a consent order
402 providing reasonable assurances that the violations shall be corrected
403 within a specified period of time. Notice of any such proposed change
404 of ownership shall be given to the department at least ninety days
405 prior to the effective date of such proposed change. For the purposes of
406 this subdivision, "a person related by blood or marriage" means a
407 parent, spouse, child, brother, sister, aunt, uncle, niece or nephew. For
408 the purposes of this subdivision, a change in the legal form of the
409 ownership entity, including, but not limited to, changes from a
410 corporation to a limited liability company, a partnership to a limited
411 liability partnership, a sole proprietorship to a corporation and similar
412 changes, shall not be considered a change of ownership if the
413 beneficial ownership remains unchanged and the owner provides such
414 information regarding the change to the department as may be
415 required by the department in order to properly identify the current

416 status of ownership and beneficial ownership of the facility or
417 institution. For the purposes of this subdivision, a public offering of
418 the stock of any corporation that owns, conducts, operates or
419 maintains any such facility or institution shall not be considered a
420 change in ownership or beneficial ownership of such facility or
421 institution if the licensee and the officers and directors of such
422 corporation remain unchanged, such public offering cannot result in
423 an individual or entity owning ten per cent or more of the stock of
424 such corporation, and the owner provides such information to the
425 department as may be required by the department in order to properly
426 identify the current status of ownership and beneficial ownership of
427 the facility or institution. For purposes of this subdivision, beneficial
428 ownership includes ownership through any level or relationship of
429 parent and subsidiary corporations and partnerships. To the extent
430 required by this subdivision, the licensee of such facility or institution
431 shall provide to the department the identities of and any other
432 information required by the department regarding the individual
433 shareholders, partners or members that have a beneficial ownership
434 interest in the facility or institution, as defined in subsection (a) of
435 section 19a-490.

436 Sec. 10. Section 19a-498 of the general statutes is repealed and the
437 following is substituted in lieu thereof (*Effective October 1, 2009*):

438 (a) Subject to the provisions of section 19a-493, as amended by this
439 act, the Department of Public Health shall make or cause to be made a
440 biennial licensure inspection of all institutions and such other
441 inspections and investigations of institutions and examination of their
442 records as the department deems necessary.

443 (b) The commissioner, or an agent authorized by the commissioner
444 to conduct any inquiry, investigation or hearing under the provisions
445 of this chapter, shall have power to inspect the premises of an
446 institution, issue subpoenas, order the production of books, records or
447 documents, administer oaths and take testimony under oath relative to
448 the matter of such inquiry, [or] investigation or hearing. At any

449 hearing ordered by the department, the commissioner or such agent
450 may subpoena witnesses and require the production of records, papers
451 and documents pertinent to such inquiry. If any person disobeys such
452 subpoena or, having appeared in obedience thereto, refuses to answer
453 any pertinent question put to such person by the commissioner or such
454 agent or to produce any records and papers pursuant to the subpoena,
455 the Attorney General, upon request of the commissioner or such agent,
456 may apply to the superior court for the judicial district of Hartford or
457 for the judicial district wherein the person resides or wherein the
458 business has been conducted, setting forth such disobedience or
459 refusal, and said court shall cite such person to appear before said
460 court to answer such question or to produce such records and papers.

461 (c) The Department of Mental Health and Addiction Services, with
462 respect to any mental health facility or alcohol or drug treatment
463 facility, shall be authorized, either upon the request of the
464 Commissioner of Public Health or at such other times as they deem
465 necessary, to enter such facility for the purpose of inspecting programs
466 conducted at such facility. A written report of the findings of any such
467 inspection shall be forwarded to the Commissioner of Public Health
468 and a copy shall be maintained in such facility's licensure file.

469 (d) In addition, the Commissioner of Social Services, or a designated
470 representative of the Commissioner of Social Services, at the request of
471 the Office of Health Care Access or the Nursing Home Financial
472 Advisory Committee or when the Commissioner of Social Services
473 deems it necessary, may examine and audit the financial records of any
474 nursing home facility, as defined in section 19a-521, or any nursing
475 facility management services certificate holder, as defined in section
476 19a-561, as amended by this act. Each such nursing home facility or
477 nursing facility management services certificate holder shall retain all
478 financial information, data and records relating to the operation of the
479 nursing home facility or nursing facility management services for a
480 period of not less than ten years, and all financial information, data
481 and records relating to any real estate transactions affecting such

482 operation, for a period of not less than twenty-five years, which
483 financial information, data and records shall be made available, upon
484 request, to the Commissioner of Social Services or such designated
485 representative at all reasonable times. In connection with an inquiry,
486 examination or investigation, the Commissioner of Social Services or
487 authorized agent may issue subpoenas, order the production of books,
488 records and documents, administer oaths and take testimony under
489 oath. The Attorney General, upon request of said commissioner, may
490 apply to the Superior Court to enforce any such subpoena or order.

491 Sec. 11. Section 19a-503 of the general statutes is repealed and the
492 following is substituted in lieu thereof (*Effective October 1, 2009*):

493 Notwithstanding the existence or pursuit of any other remedy, the
494 Department of Public Health may, in the manner provided by law and
495 upon the advice of the Attorney General, conduct an investigation and
496 maintain an action in the name of the state for injunction or other
497 process against any person or governmental unit to restrain or prevent
498 the establishment, conduct, management or operation of an institution
499 or nursing facility management services agency, without a license or
500 certificate under this chapter.

501 Sec. 12. Section 19a-528a of the general statutes is repealed and the
502 following is substituted in lieu thereof (*Effective October 1, 2009*):

503 For any application of licensure for the acquisition of a nursing
504 home filed after July 1, 2004, any potential nursing home licensee or
505 owner [must] shall submit in writing, a change in ownership
506 application with respect to the facility for which the change in
507 ownership is sought. Such application shall include such information
508 as the Commissioner of Public Health deems necessary and shall
509 include whether such potential nursing home licensee or owner (1) has
510 had civil penalties imposed through final order of the commissioner in
511 accordance with the provisions of sections 19a-524 to 19a-528,
512 inclusive, or civil penalties imposed pursuant to the statutes or
513 regulations of another state, during [a] the two-year period preceding

514 the application, (2) has had in any state [intermediate] sanctions other
515 than civil penalties less than ten thousand dollars, imposed through
516 final adjudication under the Medicare or Medicaid program pursuant
517 to Title XVIII or XIX of the federal Social Security Act, 42 USC 301, as
518 from time to time amended, or (3) has had in any state such potential
519 licensee's or owner's Medicare or Medicaid provider agreement
520 terminated or not renewed. [.] The commissioner shall not approve
521 such application to acquire another nursing home in this state for a
522 period of five years from the date of final order on such civil penalties,
523 final adjudication of such [intermediate] sanctions, or termination or
524 nonrenewal, except for good cause shown. [Notwithstanding, the
525 provisions of this section, the Commissioner of Public Health, may for
526 good cause shown, permit a potential nursing home licensee or owner
527 to acquire another nursing home prior to the expiration of said five-
528 year period.]

529 Sec. 13. Section 19a-543 of the general statutes is repealed and the
530 following is substituted in lieu thereof (*Effective October 1, 2009*):

531 (a) The court shall grant an application for the appointment of a
532 receiver for a nursing home facility upon a finding of any of the
533 following: (1) Such facility is operating without a license issued
534 pursuant to this chapter or such facility's license has been suspended
535 or revoked pursuant to section 19a-494; (2) such facility intends to
536 close and adequate arrangements for relocation of its residents have
537 not been made at least thirty days prior to closing; (3) such facility has
538 sustained a serious financial loss or failure which jeopardizes the
539 health, safety and welfare of the patients or there is a reasonable
540 likelihood of such loss or failure; [or] (4) there exists in such facility a
541 condition in substantial violation of the Public Health Code, or any
542 other applicable state statutes, or Title XVIII or XIX of the federal Social
543 Security Act, 42 USC 301, as amended, or any regulation adopted
544 pursuant to such state or federal laws; or (5) such facility is in severe
545 financial distress, as defined in subsection (c) of this section.

546 (b) The court, upon a determination pursuant to subsection (a) of

547 this section that a receiver is appropriate, may, in addition to
548 appointing a receiver for the nursing home facility, appoint a receiver
549 for (1) any person or entity providing nursing facility management
550 services, as defined in section 19a-561, as amended by this act, to such
551 facility; (2) any owner of real property, or improvements thereon, on
552 which such nursing home facility is located; or (3) any legal entity
553 owned or managed by a related party to the nursing home facility
554 owners that provides goods or services to such facility. The court may
555 issue such orders as it deems necessary to any person that controls or
556 possesses assets necessary for the receiver to fulfill its duties as set
557 forth in section 19a-545. As used in this subsection, "related party"
558 means persons or organizations related through an ability to control,
559 ownership, family relationship or business, association, and includes
560 persons related through marriage.

561 (c) As used in this section, "severe financial distress" means: (1)
562 Allowing more than thirty-five per cent of the facility's vendor
563 accounts to be overdue for payment by more than one hundred twenty
564 days; (2) allowing the facility payment of required employee pension
565 or health insurance contributions to be overdue by more than sixty
566 days; (3) maintaining an unfavorable working capital ratio of assets to
567 liabilities for more than one fiscal year; (4) maintaining minimal equity
568 or reserves for more than one fiscal year; (5) incurring significant
569 operating losses for more than one fiscal year; or (6) any other criteria
570 which the Commissioner of Social Services may further define in
571 regulations adopted pursuant to the provisions of chapter 54. The
572 commissioner may establish written policies and procedures to
573 implement the provisions of subdivision (6) of this subsection while in
574 the process of adopting such policies and procedures as regulations,
575 provided the commissioner prints notice of the intent to adopt the
576 regulations in the Connecticut Law Journal not later than twenty days
577 after the date of implementation of such policies and procedures. Such
578 policies and procedures shall be valid until the time final regulations
579 are adopted.

580 Sec. 14. Section 19a-546 of the general statutes is repealed and the
581 following is substituted in lieu thereof (*Effective from passage*):

582 (a) A receiver may not be required to honor any lease, mortgage,
583 secured transaction or other contract entered into by the owner of the
584 facility if, upon application to the Superior Court, said court
585 determines that: (1) The person seeking payment under the agreement
586 was an owner or controlling stockholder of the facility or was an
587 affiliate of such owner or controlling stockholder at the time the
588 agreement was made; or (2) the rental, price or rate of interest required
589 to be paid under the agreement was substantially in excess of a
590 reasonable rental, price or rate of interest at the time the contract was
591 entered into.

592 (b) If the receiver is in possession of real estate or goods subject to a
593 lease, mortgage or security interest [which] that the receiver is
594 permitted to avoid under subsection (a) of this section and if the real
595 estate or goods are necessary for the continued operation of the facility
596 under this section, the receiver may apply to the court to set a
597 reasonable rental, price or rate of interest to be paid by the receiver
598 during the duration of the receivership. No allowance for such
599 property costs set by the court shall exceed the fair rental value
600 allowance established by the Commissioner of Social Services in
601 regulations adopted pursuant to section 17b-239. The court shall hold a
602 hearing not later than fifteen days after application is made. Any
603 known owners of the property involved shall receive notice of such
604 application from the receiver at least ten days prior to the hearing.
605 Payment by the receiver of the amount determined by the court to be
606 reasonable is a defense to any action against the receiver for payment
607 or for possession of the goods or real estate subject to the lease,
608 security interest or mortgage involved by any person who received
609 such notice, but the payment does not relieve the owner of the facility
610 of any liability for the difference between the amount paid by the
611 receiver and the amount due under such lease, security interest or
612 mortgage involved.

613 (c) The provisions of this section shall not apply to a lease,
614 mortgage, secured transaction or other contract entered into with any
615 financial institution regulated by a state or federal agency.

616 Sec. 15. Section 19a-547 of the general statutes is repealed and the
617 following is substituted in lieu thereof (*Effective October 1, 2009*):

618 (a) The court may appoint any responsible individual whose name
619 is proposed by the Commissioner of Public Health and the
620 Commissioner of Social Services to act as a receiver. Such individual
621 shall be a nursing home administrator licensed in the state of
622 Connecticut with substantial experience in operating Connecticut
623 nursing homes or shall possess such other experience and education
624 that the court deems satisfactory to appropriately and professionally
625 implement such receivership. On or before July 1, 2004, the
626 Commissioner of Social Services shall adopt regulations governing
627 qualifications for proposed receivers consistent with this subsection.
628 No state employee or owner, administrator or other person with a
629 financial interest in the facility may serve as a receiver for that facility.
630 No person appointed to act as a receiver shall be permitted to have a
631 current financial interest in the facility; nor shall such person
632 appointed as a receiver be permitted to have a financial interest in the
633 facility for a period of five years from the date the receivership ceases.

634 (b) The court may remove such receiver in accordance with section
635 52-513. A nursing home receiver appointed pursuant to this section
636 shall be entitled to a reasonable receiver's fee as determined by the
637 court. The receiver shall be liable only in his official capacity for injury
638 to person and property by reason of the conditions of the nursing
639 home. He shall not be personally liable, except for acts or omissions
640 constituting gross, wilful or wanton negligence.

641 (c) The court, in its discretion, may require a bond of such receiver
642 in accordance with section 52-506.

643 (d) The court may require the Commissioner of [Public Health]

644 Social Services to provide for the payment of any receiver's fees
645 authorized in subsection (a) of this section upon a showing by such
646 receiver to the satisfaction of the court that (1) the assets of the nursing
647 home facility are not sufficient to make such payment, and (2) no other
648 source of payment is available, including the submission of claims in a
649 bankruptcy proceeding. The state shall have a claim for any court-
650 ordered fees and expenses of the receiver and any state advance
651 payments to the nursing home facility after a receiver has been
652 appointed which shall have priority over all other claims of secured
653 and unsecured creditors and other persons whether or not the nursing
654 home facility is in bankruptcy. [, to the extent allowed under state or
655 federal law.]

656 Sec. 16. Section 19a-561 of the general statutes is repealed and the
657 following is substituted in lieu thereof (*Effective October 1, 2009*):

658 (a) As used in this section, (1) "nursing facility management
659 services" means services provided in a nursing facility to manage the
660 operations of such facility, including the provision of care and services,
661 and (2) "nursing facility management services certificate holder" means
662 a person or entity certified by the Department of Public Health to
663 provide nursing facility management services.

664 (b) On and after January 1, 2007, no person or entity shall provide
665 nursing facility management services in this state without obtaining a
666 certificate from the Department of Public Health.

667 (c) Any person or entity seeking a certificate to provide nursing
668 facility management services shall apply to the department, in writing,
669 on a form prescribed by the department. Such application shall include
670 the following information:

671 (1) (A) The name and business address of the applicant and whether
672 the applicant is an individual, partnership, corporation or other legal
673 entity; (B) the names of the officers, directors, trustees or managing
674 and general partners of the applicant, the names of the persons having

675 ten per cent or greater beneficial ownership interest in the applicant,
676 and a description of each such person's relationship to the applicant;
677 (C) if the applicant is a corporation incorporated in another state, a
678 certificate of good standing from the state agency with jurisdiction
679 over corporations in such state; and (D) a certificate of good standing
680 from the licensing agency with jurisdiction over public health for each
681 state in which the applicant currently provides nursing home
682 management services;

683 (2) A description of the applicant's nursing facility management
684 experience;

685 (3) An affidavit signed by the applicant and any of the persons
686 described in subdivision (1) of this subsection disclosing any matter in
687 which the applicant or such person (A) has been convicted of an
688 offense classified as a felony under section 53a-25 or pleaded nolo
689 contendere to a felony charge, or (B) has been held liable or enjoined in
690 a civil action by final judgment, if the felony or civil action involved
691 fraud, embezzlement, fraudulent conversion or misappropriation of
692 property, or (C) is subject to a currently effective injunction or
693 restrictive or remedial order of a court of record at the time of
694 application, or (D) within the past five years has had any state or
695 federal license or permit suspended or revoked as a result of an action
696 brought by a governmental agency or department, arising out of or
697 relating to business activity or health care, including, but not limited
698 to, actions affecting the operation of a nursing facility, residential care
699 home or any facility subject to sections 17b-520 to 17b-535, inclusive, or
700 a similar statute in another state or country; and

701 (4) The location and description of any nursing facility in this state
702 or another state in which the applicant currently provides
703 management services or has provided such services within the past
704 five years.

705 (d) In addition to the information provided pursuant to subsection
706 (c) of this section, the department may reasonably request to review

707 the applicant's audited and certified financial statements, which shall
708 remain the property of the applicant when used for either initial or
709 renewal certification under this section.

710 (e) Each application for a certificate to provide nursing facility
711 management services shall be accompanied by an application fee of
712 three hundred dollars. The certificate shall list each location at which
713 nursing facility management services may be provided by the holder
714 of the certificate.

715 (f) The department shall base its decision on whether to issue or
716 renew a certificate on the information presented to the department and
717 on the compliance status of the managed entities. The department may
718 deny certification to any applicant for the provision of nursing facility
719 management services at any specific facility or facilities where there
720 has been a substantial failure to comply with the Public Health Code
721 or failure to provide the information required under subparagraph (D)
722 of subdivision (1) of subsection (c) of this section.

723 (g) Renewal applications shall be made biennially after (1)
724 submission of the information required by subsection (c) of this section
725 and any other information required by the department pursuant to
726 subsection (d) of this section, and (2) submission of evidence
727 satisfactory to the department that any nursing facility at which the
728 applicant provides nursing facility management services is in
729 substantial compliance with the provisions of this chapter, the Public
730 Health Code and licensing regulations or other laws and regulations
731 applicable to the operation of such facility, and (3) payment of a three-
732 hundred-dollar fee.

733 (h) In any case in which the Commissioner of Public Health finds
734 that there has been a substantial failure to comply with the
735 requirements established under this section or if the department
736 receives information from a licensing agency with jurisdiction over
737 public health in another state that the holder is not in good standing in
738 such state, the commissioner may initiate disciplinary action against a

739 nursing facility management services certificate holder pursuant to
 740 section 19a-494. In addition to the remedies provided under section
 741 19a-494, the commissioner may also assess such holder a civil penalty
 742 not to exceed five thousand dollars per violation for any class A or
 743 class B violation, as defined in section 19a-527, that occurs at a nursing
 744 facility for which such holder provides nursing facility management
 745 services, provided such fine in addition to any civil fine under section
 746 19a-493, as amended by this act, shall not exceed five thousand dollars
 747 per violation. Any such holder who fails to pay such penalties shall be
 748 subject to the remedies provided in section 19a-526.

749 (i) The department may limit or restrict the provision of
 750 management services by any nursing facility management services
 751 certificate holder against whom disciplinary action has been initiated
 752 under subsection (h) of this section.

753 (j) The department may, in implementing the provisions of this
 754 section, conduct any inquiry or investigation, in accordance with the
 755 provisions of section 19a-498, as amended by this act, regarding an
 756 applicant or certificate holder.

757 (k) Any person or entity providing nursing facility management
 758 services without the certificate required under this section shall be
 759 subject to a civil penalty of not more than one thousand dollars for
 760 each day that the services are provided without a certificate.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	17b-352
Sec. 2	<i>from passage</i>	17b-339
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	17b-4
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>October 1, 2009</i>	19a-491(b)

Sec. 9	<i>October 1, 2009</i>	19a-493(b)(2)
Sec. 10	<i>October 1, 2009</i>	19a-498
Sec. 11	<i>October 1, 2009</i>	19a-503
Sec. 12	<i>October 1, 2009</i>	19a-528a
Sec. 13	<i>October 1, 2009</i>	19a-543
Sec. 14	<i>from passage</i>	19a-546
Sec. 15	<i>October 1, 2009</i>	19a-547
Sec. 16	<i>October 1, 2009</i>	19a-561

AGE*Joint Favorable Subst. C/R*

HS